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C O N F I D E N T I A L SECTION 01 OF 02 BRASILIA 002219

SIPDIS

TREASURY FOR PARODI, STATE PASS TO USTR AND USAID/LAC/AA

E.O. 12958: DECL: 08/17/2015

TAGS: [PGOV](#) [PREL](#) [ECON](#) [BR](#)

SUBJECT: BRAZIL CORRUPTION SCANDAL UPDATE: JOSE DIRCEU
REFLECTS

REF: A. BRASILIA 2082

[B](#). BRASILIA 1979

[C](#). BRASILIA 1874

[D](#). BRASILIA 1973

[E](#). BRASILIA 1631

[F](#). BRASILIA 2025

[G](#). BRASILIA 2150

Classified By: Classified by Political Counselor Dennis Hearne.
Reasons

1.4 (b)(d).

[1](#). (C) Introduction: Per refs, Jose Dirceu, formerly the most powerful minister in President Lula da Silva's cabinet and currently a federal deputy subject to possible revocation of his congressional status, is a central figure in the ongoing scandals roiling the government and PT Party. As such, at present he is "too hot" for direct contacts with mission personnel. However, PolCouns, with COM approval, decided to capitalize on the visit this week to Brasilia of WHA Special Advisor Bill Perry -- who was in Brazil in a semi-private capacity and has known Dirceu for several years personally -- to gauge Dirceu's views on the political crisis and his own predicament. Perry agreed to seek out Dirceu, and met privately with him for breakfast at Dirceu's apartment in Brasilia on 17 August. Perry subsequently reported the following points and impressions from that conversation, and contributed to the comment in para 6.

[2](#). (C) Dirceu seemed well and fit, despite the stress of recent weeks. He said he had disciplined himself to take regular exercise and have sufficient contact with his family, and he is sleeping reasonably well. But Dirceu seemed much less combative than in a meeting with Perry in late June, just after his resignation as Minister of the Casa Civil. Most remarkably, Dirceu claimed he had resigned himself to the fact that he will be "cassado" -- i.e., suffer the revocation of his congressional seat and right to run again for any office for an eight year period -- probably by November.

[3](#). (C) Dirceu predictably considered this unjust and defended his own record. His line was that the post-2002 PT leadership came up with the "hair-brained and perverse" scheme for illegal financing that is at the center of current investigations in response to pressures from small, mercenary allied parties -- the PTB, PL, PP -- and from 2002 campaign media specialist Duda Mendonca. In this version, Dirceu had nothing to do with these arrangements. Indeed, ex-PT treasurer Delubio Soares was "not his guy" -- Soares came from the labor movement -- and Dirceu never wanted him in such a sensitive post. Dirceu also criticized as weak both ex-PT President Jose Genoino and acting PT president Tarso Genro (who currently is trying to wrest control of the PT from the powerful Dirceu faction).

[4](#). (C) This defense was interwoven with criticisms by Dirceu of the Lula government. Lula does not do much on his own initiative, Dirceu claimed, and he said Lula should have paid more attention to cultivating legitimate corporate funding sources in the wake of 2002 elections. He also should have brought the PMDB and other large, responsible parties into the government earlier and rewarded them with ministerial posts. Dirceu said he had wanted to finish up with the ministerial re-shuffle and go back to Congress long before he could get the president to do anything about it. Importantly, Lula is mishandling the current crisis, Dirceu opined.

[5](#). (C) As a result of these failings and the unfolding debacle, Dirceu now believes that Lula is unlikely to win re-election next year. Indeed, Dirceu said he thinks Lula may not run "if he gets depressed." Dirceu views a PSDB candidate as the probable victor (Sao Paulo Mayor Jose Serra was his forecast), but he does not think a PSDB-led administration will be able to govern effectively. Dirceu was more optimistic about the future of the PT, at least after a few years of rehabilitation and recovery. Dirceu said he thinks his faction will win again in the September party election, thus continuing its domination of the PT.

[6](#). (C) Comment. Dirceu disassociated himself utterly from any blame for the scandals engulfing his party and Lula government, and sustained the "I knew nothing" defense of his

recent testimony before the congressional ethics committee. Both positions are widely regarded as ludicrous by Brazilian politicians and journalists who have followed Dirceu's career and understand both the extent of his power within the GOB as a minister and the iron grip he exerts over the PT even today. We share in the skepticism. Beyond that, the sincerity of Dirceu's professions about his own future may be doubted, given his long and extraordinary personal history of a single-minded pursuit of power. But, to be fair, perhaps he is being realistic. It looks highly likely that Dirceu will, in fact, lose his congressional mandate and political rights. Further, the wounds inflicted by the crisis on Lula -- who is Dirceu's creature, in many ways -- together with new polls that show Lula losing to PSDB candidates, suggest Lula's era may be waning. For now the only things for Dirceu to do are try to avoid further serious charges, preserve a measure of behind-the-scenes influence through domination of the PT by his faction, and, at 59, make the most of the rest of his life. On this, he mused on some specific possibilities, including leaving Brazil for several months to go to the US for the purpose of learning English and writing a book. Dirceu's departure from the political scene would be a watershed, closing out a distinctive chapter in modern Brazilian politics. Yet we cannot quite bring ourselves to believe that this ruthless and brilliant chameleon is willing to go so quietly into the night -- not just yet.

DANILOVICH